Saskatchewan Water Corporation Retirement Allowance Plan

Annual Report for 2015

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Government of Saskatchewan

Table of Contents

Letters of Transmittal 2

Introduction 3

Enrolment 3

Benefits 3

Management's Report 4

Actuarial Opinion 5

Financial Statements

- Independent Auditor's Report 8
- Statement of Financial Position 9
- Statement of Changes in Net Assets Available for Benefits 10
- Statement of Changes in Benefits Obligation 11
- Notes to the Financial Statements 12

Letters of Transmittal

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the Annual Report of the Saskatchewan Water Corporation Retirement Allowance Plan for the year ending December 31, 2015.

Kevin Doherty
Minister of Finance

The Honourable Kevin Doherty
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the Annual Report of the Saskatchewan Water Corporation Retirement Allowance Plan for the year ending December 31, 2015.

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Saskatchewan Water Corporation Retirement Allowance Plan

Introduction

The Saskatchewan Water Corporation (the Corporation) established the Saskatchewan Water Corporation Retirement Allowance Plan (the Plan) on April 1, 1999 for the purpose of providing certain retirement benefits to out-of-scope employees of the Corporation.

The Plan is not registered as a pension plan under the *Income Tax Act* (Canada). The Corporation has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants. Benefits are funded out of current operations of the Corporation.

The Corporation managed the Plan from April 1, 1999 to November 16, 2004. On November 16, 2004, an Order in Council designated the Plan as a benefit program to be operated, administered and managed by the Public Employees Benefits Agency (PEBA).

Enrolment

The Plan includes all out-of-scope employees of the Corporation. As at December 31, 2015, there were 43 (2014 - 46) active members in the Plan.

Benefits

Members of the Plan retiring from the Corporation, in accordance with the provision of the pension plan they are enrolled in, are paid a retirement allowance of two (2) days pay for each year of service or portion thereof to a maximum of forty-three (43) days pay. The retirement allowance is calculated at the employee's regular rate of pay at the date of retirement.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As administrators of the Saskatchewan Water Corporation Retirement Allowance Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian Accounting Standards for Pension Plans as outlined in the CPA Canada Handbook, section 4600, pension plans. For matters not addressed in section 4600, International Financial Reporting Standards (IFRS) have been followed.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Saskatchewan Water Corporation Retirement Allowance Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian accounting standards for pension plans.

Enclosed are the financial statements of the Saskatchewan Water Corporation Retirement Allowance Plan for the year ended December 31, 2015 and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan
March 30, 2016

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

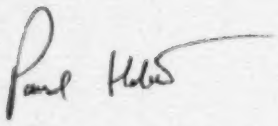
Actuarial Opinion

With respect to the SaskWater Retirement Allowance Program, I have prepared an actuarial valuation as at December 31, 2015, for the purpose of determining the necessary actuarial information for financial statement reporting in accordance with IFRS. In my opinion, for the purpose of this actuarial valuation:

- The data on which this valuation is based are sufficient and reliable;
- Where applicable, the assumptions have been adopted as management's best estimates for accounting purposes and are appropriate;
- The actuarial cost method employed is appropriate; and
- The valuation conforms with the requirements of IFRS.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses which will be revealed in subsequent valuations.

This report has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice in Canada.



Paul Hebert, FSA, FCIA
Senior Consultant
Fellow, Society of Actuaries
Fellow, Canadian institute of Actuaries

January 15, 2016

Saskatchewan Water Corporation
Retirement Allowance Plan

Financial Statements

Year Ended December 31, 2015

PROVINCIAL AUDITOR
of Saskatchewan

Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Saskatchewan Water Corporation Retirement Allowance Plan, which comprise the statements of financial position as at December 31, 2015, the statement of changes in net assets available for benefits and the statement of changes in benefits obligation for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Saskatchewan Water Corporation Retirement Allowance Plan as at December 31, 2015, and the statement of changes in net assets available for benefits and the statement of changes in benefits obligation for the year then ended in accordance with Canadian accounting standards for pension plans.

Judy Ferguson

Regina, Saskatchewan
March 30, 2016

Judy Ferguson, FCPA, FCA
Provincial Auditor

1500 Chateau Tower - 1920 Broad Street Regina, Saskatchewan S4P 3V2
t 306.787.6398 *f* 306.787.6383 *e* info@auditor.sk.ca
www.auditor.sk.ca

Saskatchewan Water Corporation Retirement Allowance Plan **Statement 1**
Statement of Financial Position

As at December 31

	2015	2014
Net Assets Available for Benefits		
SaskWater Contribution Receivable (Note 3)	$ 229,200	$ 238,400
	$ 229,200	$ 238,400
Accrued Benefits Obligation (Note 3)	$ 229,200	$ 238,400
Surplus	$ -	$ -

(See accompanying notes to the financial statements)

Saskatchewan Water Corporation Retirement Allowance Plan **Statement 2**
Statement of Changes in Net Assets Available for Benefits

Year Ended December 31

	2015	2014
Increase in Assets		
Saskwater Contribution Receivable (Note 3)	$ 9,900	$ 40,300
Total Increase in Assets	9,900	40,300
Decrease in Assets		
Benefit Payments	19,100	36,100
Total Decrease in Assets	19,100	36,100
(Decrease) Increase in Net Assets	(9,200)	4,200
Net Assets Available For Benefits, Beginning of Year	238,400	234,200
Net Assets Available For Benefits, End of Year (to Statement 1)	$ 229,200	$ 238,400

(See accompanying notes to the financial statements)

Saskatchewan Water Corporation Retirement Allowance Plan **Statement 3**
Statement of Changes in Benefits Obligation

Year Ended December 31

	2015	2014
Benefits Obligation, Beginning Of Year	$ 238,400	$ 234,200
Increase in Benefits Obligation		
Benefits Accrued	18,600	13,700
Interest On Accrued Benefits	8,900	9,800
Plan Experience	-	8,200
Change in Plan Assumptions	-	8,600
	27,500	40,300
Decrease in Benefits Obligation		
Benefit Payments	19,100	36,100
Plan Experience (Note 3)	17,600	-
	36,700	36,100
Benefits Obligation, End Of Year (Statement 1)	$ 229,200	$ 238,400

(See accompanying notes to the financial statements)

Saskatchewan Water Corporation Retirement Allowance Plan
Notes to the Financial Statements

December 31, 2015

1. Description of the Plan

The Saskatchewan Water Corporation (the Corporation) established the Saskatchewan Water Corporation Retirement Allowance Plan (the Plan) on April 1, 1999 for the purpose of providing certain retirement benefits to out-of-scope employees of the Corporation.

The Plan is not registered as a pension plan under the *Income Tax Act* (Canada). The Corporation has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants. Benefits are funded out of current operations of the Corporation.

The Corporation managed the Plan from April 1, 1999 to November 16, 2004. On November 16, 2004, an Order in Council designated the Plan as a benefit program to be operated, administered and managed by the Public Employees Benefits Agency (PEBA). An agreement has been established between PEBA and the Corporation, which specifies the administrative services that the Corporation will provide.

The following description is a summary only. For more complete information, reference should be made to the Plan document.

Eligibility

The plan includes all out of scope employees of the Corporation. As at December 31, 2015, there were 43 (2014 - 46) active members in the plan.

Benefits

Members of the Plan retiring from the Corporation, in accordance with the provisions of the pension plan they are enrolled in, are paid a retirement allowance of two (2) days pay for each year of service or portion thereof to a maximum of forty-three (43) days pay. The retirement allowance is calculated at the employee's regular rate of pay at the date of retirement.

2. Significant Account Policies

Effective January 1, 2011 the Plan adopted Canadian accounting standards for pension plans. For accounting policies that do not relate to its benefit obligations, the financial statements comply with International Financial Reporting Standards, to the extent that these standards do not conflict with Canadian accounting standards for pension plans. These standards have been implemented retroactively.

3. Benefits Obligation

The benefits obligation of the Plan is receivable from the Corporation and will be funded by the Corporation as eligible employees retire. The present value of the accrued benefits obligation was determined using the projected benefits method prorated on service and the best estimate assumptions of the Corporation's management. Plan experience is the difference between the expected and actual benefits obligation and is recognized as an increase or decrease in the statement of changes in benefits obligation. Aon Consulting Inc. performed an actuarial valuation as at December 31, 2015 and December 31, 2014, to determine the actuarial present value of the benefits obligation. The effective date of the next required actuarial valuation is December 31, 2016.

The benefits obligation is based on many assumptions about future events. Actual experience may vary significantly from the long-term assumptions used. The actuarial valuation is based on the following assumptions:

	2015	2014
Discount rate	3.60%	3.60%
Inflation rate	2.50%	2.50%
Salary increase	3.00%	3.00%
Termination rate up to age 49	5.00%	5.00%

Retirement - members of the Public Employees Pension Plan - at age 60
- members of the Public Service Superannuation Plan - at the earlier of age 60 (20 years of service), age 65 (5 years of service) or 35 years of service

The following illustrates the effect of changes in these assumptions on the benefits obligations:

Assumption	Change Made	Change in Obligation at December 31, 2015	Percentage change in Obligation
Annual termination rate	Plus 0.5%	(2,600)	(1.1%)
	Minus 0.5%	2,700	1.2%
Discount rate	Plus 0.5%	(8,000)	(3.5%)
	Minus 0.5%	8,600	3.8%
General salary increase	Plus 0.5%	8,600	3.8%
	Minus 0.5%	(8,000)	(3.5%)

The actuarial present value of the benefits obligation is long-term in nature and there is no market for settling this obligation. Therefore, determination of the fair value is not practicable.

4. Financial Risk Management

The nature of the Plan's operations result in a statement of financial position, changes in net assets available for benefits, and changes in benefits obligations. As benefits are funded out of current operations of the Corporation, the plan's financial risks relate primarily to credit risk. The maximum credit risk to which it is exposed at December 31, 2015 is limited to the carrying value of its contributions receivable from the Corporation.

5. Related Parties

Included in these financial statements are transactions with the Corporation who is related to the Plan by virtue of common control by the Government of Saskatchewan.

The Plan has received the use of office space and administrative services from the Corporation at no charge. Additionally, PEBA provides administrative services to the Plan for an administration fee which is paid by the Corporation.